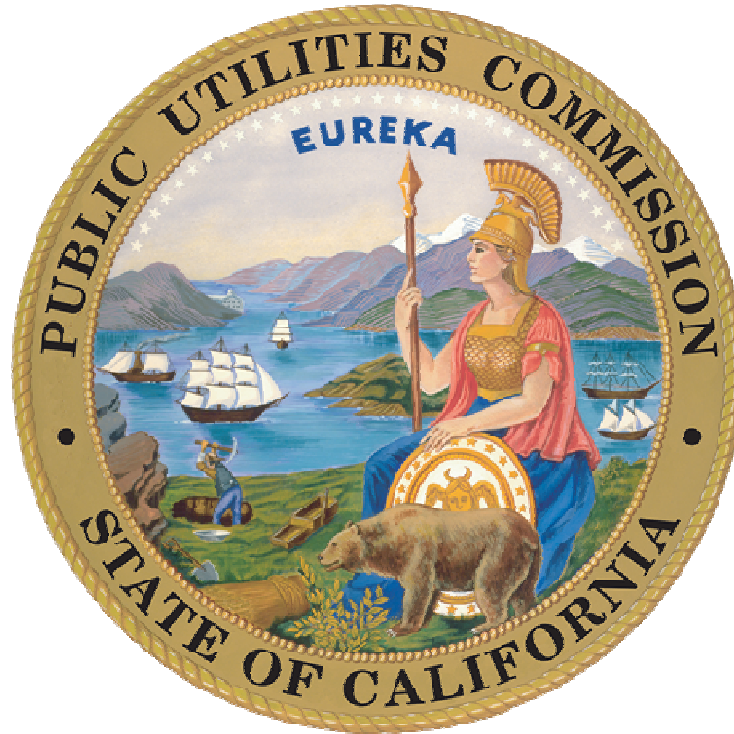


Combined Heat and Power Technical Workgroup Meeting



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CHP Plays Two Roles

In the context of AB 32, Combined Heat and Power (CHP) is both:

- An emitter of GHG
- An emissions reduction strategy

Additional non-GHG policy reasons to have CHP as part of our portfolio

Reaching the Target

Scoping Plan states 4,000 MW of *new* CHP to get 6.7 MMT of reductions statewide

The CPUC's approach is to look at improving efficiency of existing facilities *and* to bring on new to reach emission reduction target for IOUs

Reaching the GHG Target

Start with Baseline of GHG Emissions
Already Avoided From the Existing CHP Fleet

+

Addition of *new* CHP facilities
(with GHG benefits compared to a benchmark)

+

Repowering or improvement of existing facilities
(to get additional GHG benefits compared to baseline)

+

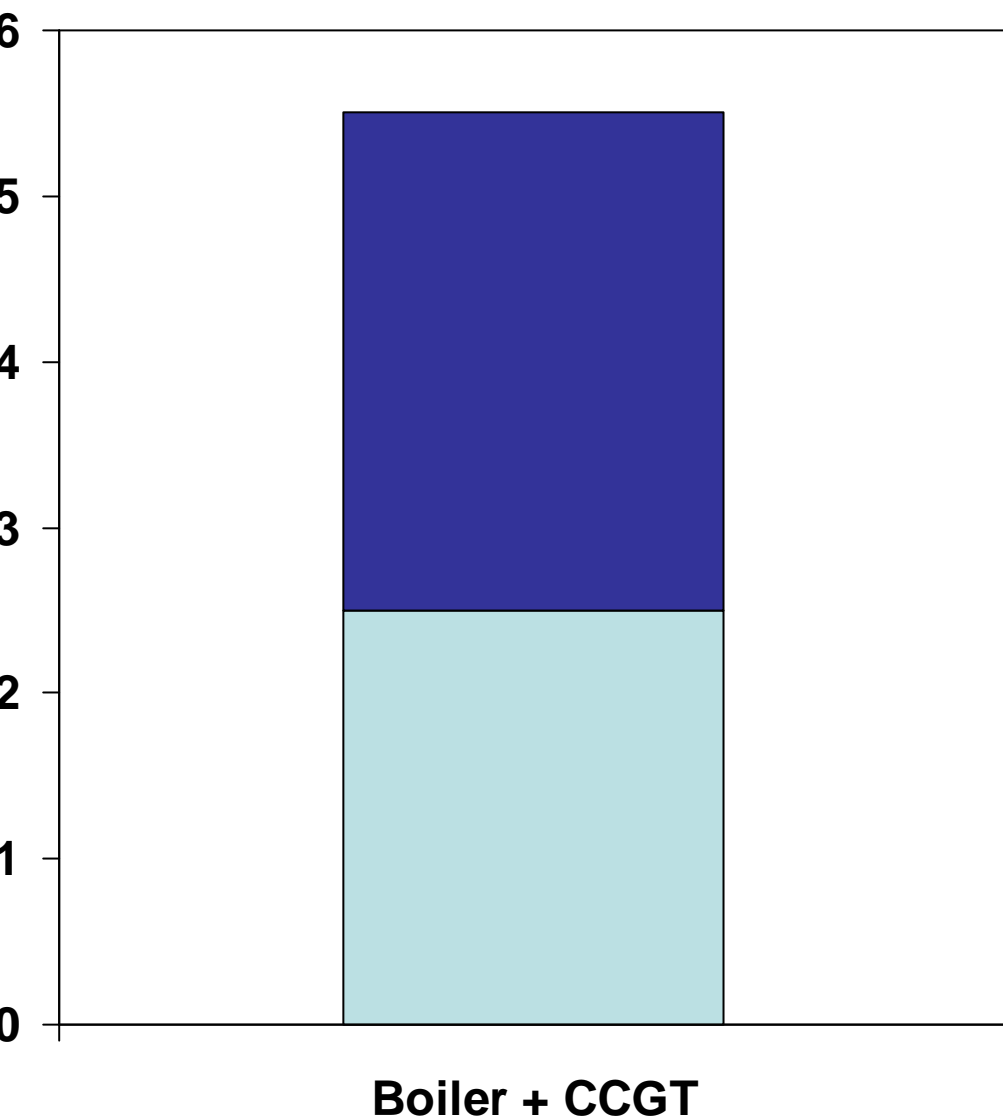
Removing existing *inefficient* facilities
(are GHG adding compared to a benchmark)

-

Losing existing *efficient* facilities
(makes the target larger)

IOU Share of CHP's Scoping Plan Target

What Would Happen “If Not for” CHP?



- Benchmark is a combination of a heat rate AND a standard boiler efficiency
- The difference between a benchmark and CHP is the GHG reduction.
- The “cap” would induce the benchmark to be more efficient

New Policy Framework for CHP

Barriers exist for increased CHP penetration

Feed-in Tariff will be a part of the new framework

New rulemaking (OIR) to coordinate policy
CHP issues

- Accomplish share of Scoping Plan target and other policy drivers
- Timeframe: Framework development in 2009-10; Implementation in 2010

Feed-in Tariff for CHP

A CHP facility up to 20 MW nameplate that is new / repowered

Goal is to promote a thermal match to maximize use of waste heat

It allows the facility to sell excess electricity generated

GHG reductions from program will count towards Scoping target

Two contracts under development

one for “small” facilities

one for “medium” size facilities

Established by AB 1613 and modified by AB 2701 (R08 06 024)

Details on Feed-in Tariff

Initial Staff Proposal released and workshop held in February

Additional negotiations on contract occurred in Spring

Final Staff Proposal released in July 2009

Considers contracts, pricing proposals, other program design elements

Collaborating with CEC on efficiency matters and other terms & conditions

Tariff targeted completion by end of calendar year 2009

Phase II – develop “pay as you save” pilot

How the Pieces Fit Together

	Small (< 20 MW)	Large (> 20 MW)
New / Repowered	<i>Feed-in Tariff</i>	CHP OIR
Existing	CHP OIR	CHP OIR

These program options will coordinate with each other to reach GHG and policy objectives

Thank you!
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